

**MINUTES OF THE  
PRIVATELY OWNED HEALTH CARE ORGANIZATION TASK FORCE**

Thursday, August 25, 2005 – 1:00 p.m. – Room W135 House Building

**Members Present:**

Sen. Michael G. Waddoups, Senate Chair  
Rep. David Clark, House Chair  
Sen. Gene Davis  
Sen. John W. "Bill" Hickman  
Sen. Peter C. Knudson  
Sen. Mark B. Madsen  
Sen. Ed Mayne  
Rep. Jackie Biskupski  
Rep. Stephen D. Clark  
Speaker Greg J. Curtis  
Rep. Brad L. Dee  
Rep. James A. Dunnigan  
Rep. Bradley G. Last  
Rep. Rebecca D. Lockhart

**Members Absent:**

Rep. Patricia W. Jones

**Staff Present:**

Ms. Constance C. Steffen, Policy Analyst  
Ms. Allison Morgan, Policy Analyst  
Ms. Patricia Owen, Associate General Counsel  
Ms. Catherine J. Dupont, Associate General Counsel  
Ms. Joy L. Miller, Legislative Secretary

**Note:** A list of others present, copy of related materials, and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

**1. Task Force Business**

Chair Clark called the meeting to order at 1:15 p.m. Rep. Jones was excused from the meeting.

**MOTION:** Rep. Dee moved to approve the minutes of the July 21, 2005 meeting. The motion passed unanimously. Sen. Davis, Sen. Knudson, Sen. Madsen, Rep. S. Clark, and Rep. Dunnigan were absent for the vote.

**2. Health Care Financing**

Mr. Tal Land, Ernst & Young, distributed "Health Care 101" and gave a presentation on the national U.S. Health Care Delivery System. Health care spending is estimated to reach 18 percent of the gross national product in 2013. In 2002 2/3 of the health care dollar came from private and government sources, of which hospitals received approximately 31 percent. He stated that to obtain health care, individuals must consider three key drivers of who pays for the service which are age, employment status, and income. He noted that employers have reacted to the rising costs of health care premiums by managing costs and benefits. A 2004 Kaiser study determined that 56 percent of small and medium employers shopped for different health care plans and 34 percent of them changed plans in an attempt to address health care costs. Sixty-five percent of large employers pushed more of the cost for the insurance plans to their employees.

Mr. Land stated that employers want choice for employees and cost control. Indemnity plans provide the greatest choice and are typically the most costly plans. HMOs (Health Maintenance Organization) tend to be the least expensive but may have limited access. He briefly discussed other hybrid types of plans including PPOs (Preferred Provider Organization) and POSs (Point of Service) Plans. In recent years

there has been a shift to PPOs mainly due to consumer choice. He noted that health plans want to have desirable employers, contract with top doctors and hospitals, keep prices low on prescription drugs, provide disincentives and penalties for going out of network, manage medical costs through preauthorization reviews and disease management, and have favorable contracts with all types of providers.

Mr. Land reviewed a Lewin Group study and pointed out that in 2003 over 50 percent of the total revenue of community hospitals came from Medicare and Medicaid, while 38 percent came from private commercial insurers. He stated that between 1991-2003 Medicare and Medicaid payments were three to four percent below cost. Private payors paid an average of 20 percent above cost. It is important for hospitals to have a healthy mix of governmental and private payors to be able to cost shift.

Mr. Land explained the theoretically inherent conflicting roles between organizations that own hospitals and those that own health plans, which was discussed in a Modern Health Care article. Mr. Land discussed trends in health system ownership of hospitals and hospital ownership of health systems. A 2001 American Hospital Association study showed a 44 percent decline in hospital owned health plans. He cited specific examples and gave the general reasons for the decline being the difference in the dynamic between the hospital and the provider side of the business, cost of infrastructure, inability to obtain economies of scale, difficulty in finding the right people to run the health plan, and the shift towards the PPO model. Mr. Land also gave examples of companies that are successfully integrated. He commented that payment for health care services, regardless of where it comes from, will continue to be a major issue since the demand for services exceeds the amount of money available.

### **3. Expert Services**

Ms. Steffen discussed the process followed in developing the RFP (Request for Proposals) and its purpose which is to examine the performance of health care markets in Utah to determine how the performance of those markets impacts consumers in terms of the cost and quality of, and access to, health care; and to make recommendations on how to improve the functioning of health care markets. She reviewed the background information contained in the RFP which includes issues the Task Force is directed to study as outlined in S.B. 61, Privately Owned Health Care Organization Task Force, 2005 General Session.

Sen. Hickman asked if the proprietary information requested will be protected. Ms. Steffen responded that the Memorandum of Understanding with IHC (Intermountain Health Care) provided that the Task Force, or experts hired by the Task Force, could gain some access to information from IHC.

Ms. Owen explained that the issue would likely be addressed in a contract entered into with the expert researcher. The contract could require that the underlying records be owned or maintained by the state to receive the protection of GRAMA. She said that it is possible to have some closed meetings to discuss protected records.

Sen. Madsen indicated that he was interested in the affect of differentiated tax treatment and its affect on the market place and on the competitive environment and have it incorporated into the final draft on the

RFP.

Sen. Waddoups stated that the tax status issue is very complex and may be better addressed in a separate study or RFP.

Sen. Waddoups referred to the RFP entitled "08/16/05 Draft as amended by various IHC competitors." He explained that the RFP contains information provided in response to staff's request for additional input on the original RFP.

Rep. Lockhart asked that the Task Force be given additional time to review both RFPs. She stressed the need to make sure that the final RFP addresses the right issues.

**MOTION:** Sen. Hickman moved to direct the working group and staff to meet and prepare an RFP and in turn meet with the cochairs to correlate that information to present the RFP at the next meeting. Groups interested in providing input have until close of business on September 1 to submit their comments to staff.

**SUBSTITUTE MOTION:** Rep. Dee moved to adopt the RFP as drafted by the staff of the Task Force. The motion failed with Rep. Biskupski, Rep. D. Clark, Rep. S. Clark, Rep. Curtis, and Rep. Dee voting in the affirmative.

The Task Force voted on the original motion which passed unanimously.

**MOTION:** Rep. Lockhart moved to adjourn the meeting. The motion passed unanimously.

Chair Clark adjourned the meeting at 3:30 p.m.